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## Toward Farm Security

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## **CONTENTS**

	Page
Introduction . . . . .	3
Stability of farm prices and incomes . . . . .	6
Physical security. . . . .	9
Security against crop losses . . . . .	12
Security of land tenure . . . . .	15
Farm laborers . . . . .	17
Stability of land values . . . . .	20

# TOWARD FARM SECURITY

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## INTRODUCTION

THE CLOSER IN POINT OF TIME one is to a period, the less certain he is that any summary judgment is the correct one. And of course, when one attempts to characterize a period that is just beginning he is, to no small degree, engaging in prophecy. He is so close to events that he often cannot correctly see the "shape of things to come." When time has erased many happenings of a period, leaving only the enduring accomplishments, those things that seemed significant at the time have often faded into insignificance.

The period that is just passing and that seems to be gradually evolving into a new period in agricultural affairs has been marked by a struggle to achieve an improved situation for those engaged in farming. Soon after the World War the slogan of the farm groups was "a fair share of the national income." It was pointed out that farmers as a group were receiving a smaller and smaller proportion of the total national income and that ways and means must be found to restore the balance that existed earlier in our history. It was hoped that price improvement would bring about the desired condition, hence the attempts to secure farm-product price advances by means of tariff increases, McNary-Haugen legislation, and the Federal Farm Board. During the latter part of the period "price parity" was the watchword. This was the standard that guided the activities of those administering the original Agricultural Adjustment Act. Later the price-parity concept was changed to "income parity"—another expression of the determination to achieve a more desirable balance between agricultural and nonagricultural enterprises. In recent years much progress has been made toward the goal of better relative prices and incomes for farmers. The situation has not yet improved to a point where it can be said that farmers are on a basis of economic equality with other groups. But it is nearer that point than it has been for years. Possibly the momentum of improvement will continue so that economic balance between agricultural and nonagricultural groups will be reached.

There is no guarantee, however, that the improvement once gained can be maintained. Future events may result in a relative retro-

PERCENT

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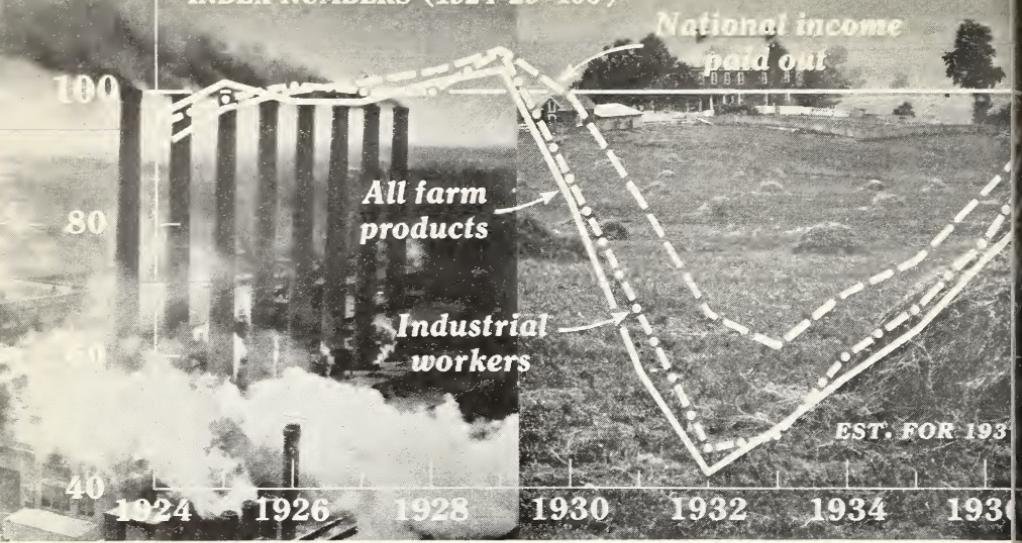


FIGURE 1.—When consumers have more money to spend, farmers get more for their products.

gression. Therefore, it is probable that the central thought of our agricultural policy will soon shift from the objective of achieving relative economic improvement to one of maintaining such improvement. The nature of this shift may be summed up in the expression "farm security."

Farmers have been living through a long period of great insecurity. Violent price fluctuations, land speculation, deflation, depression have exacted their toll of foreclosures, dispossessions, farm bankruptcies. Experiences of the past 15 years could not fail to have had an adverse effect upon the confidence of thousands of American farmers in their future. As they emerge from a period which gave rise to such disastrous experiences, their thoughts, hopes, and desires will be so to shape their social and economic affairs that there will not be a recurrence of the dismal history of the twenties and early thirties.

It would appear, therefore, that the efforts of farmers will be directed toward consolidation of gains made in recent years and toward following through on those things that promise a greater degree of security for themselves and their children than has been possible in the past. They will want first of all a higher degree of price and income stability than in the past and will doubtless strive for establishment of ways and means whereby such stability may be secured. They will want plans worked out whereby a continually larger proportion of farm operators will be, or have the opportunity of becoming, farm owners.

They will want plans perfected that will prevent speculative fluctuation of land prices. They will want ways and means whereby the physical risks in agricultural production may be reduced or, by means of soundly conceived insurance, spread over large numbers engaged in the industry. They will seek ways and means whereby through cooperative effort they may prevent or reduce wastage of their physical resources by preventing or reducing losses from floods, drought, erosion, or loss of fertility, and thus pass on to their successors their lands in as good a condition as when they received them, or better.

As it is to the interest of society that the national agricultural resources be not dissipated, society should expect to assist agriculture in maintaining resources and should insist on such maintenance. Not infrequently maintenance of resources, although valuable to the public over a long period, is contrary to the interests of the individual operating over a relatively short period. Farmers and the general public must compose their differences in this respect; otherwise neither farmers nor the general public may achieve the degree of security that both deem a desirable objective.

FIGURE 2.—Good pastures can be passed on from father to son.

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## **STABILITY OF FARM PRICES AND INCOMES**

The present generation of farmers has gone through a period of extremely uncertain and variable prices and incomes. First the World War with its tremendous inflation of commodity prices, then the long post-war period of deflation intensified by the world-wide depression beginning in 1929 which sent farm prices to even lower levels. Now, after 4 years in which farm prices have improved and farm income has advanced at the rate of a billion dollars a year, farmers are looking into the future determined to do whatever can be done to prevent such disastrous fluctuations in the future.

Farmers today realize that they are part of a great, complex economic system—that their business affairs extend beyond their own fence rows, their county and State lines, even beyond the borders of the country. They realize that the problem of economic stability is not just a farm problem—nor yet just an industrial problem. It is not a problem of Texas alone, nor of New Jersey alone. Economic stability can be achieved only through the joint efforts of farmers and city people.

### **Depends Upon Industrial Stability**

Farmers have learned that one of the biggest factors in farm stability is industrial stability. During the depression they witnessed a very sharp decrease in industrial production and relatively stable industrial prices, while, at the same time, their production was maintained at high levels and their prices crashed to all-time lows. Now farmers produce potatoes, cotton, hogs, and fruit to be exchanged for clothing, housing, automobiles, and furniture. When the production of industrial products is decreased and the production of farm products is maintained at the same level, it means that farmers get fewer industrial products in exchange for each unit of farm production. So, one of the big farm problems in the future—one of the big problems of economic stability and security for farmers—is to maintain a steady flow of industrial products from the factories and mines of the Nation. Reduction of farm production is effective in improving farm well-being during times of depression, as has been shown in recent years. But the benefits from achieving a balance in this way are limited. After a certain point has been reached, further improvement in farmers' well-being must come through expanding industrial production.

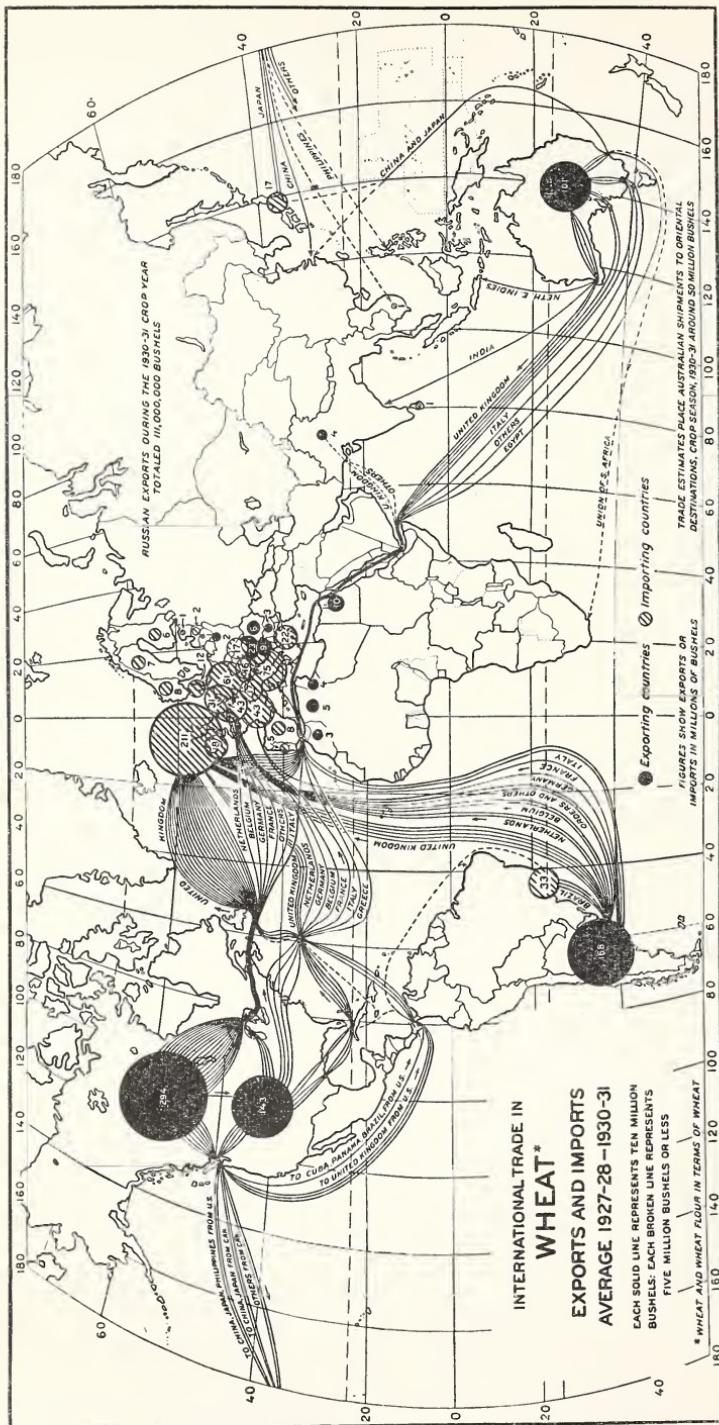
Though agricultural production as a whole is fairly steady, year in and year out, each year one or more areas or crops are severely damaged by weather, insects, or other natural disaster. One of the objectives of farm security should be to iron out the economic effects of such variations. The business life of the world has for years turned upon the principle of insurance against unpredictable disasters. Is there any sound reason why the business of farming should not make use of the joint method of covering risks? Sound crop insurance for farmers is one of the essentials of farm security.

Hand in hand with crop insurance, some method of ironing out great fluctuations in supplies of individual crops must be worked out. The crop-insurance plan recommended to the Congress by the President's Crop Insurance Committee would help to stabilize our supplies of wheat, because premiums and indemnities would be paid in kind. During good crop years premiums would exceed indemnities, and a reserve supply of wheat would be built up. During poor crop years this reserve supply would be paid back to farmers.

### **Needs an Interrelated Program**

Another step toward this goal of stability would be a program of commodity loans. The usefulness of such a program has already been shown by the corn loans. Such loans make possible a balancing of the harvests between good and poor crop years. To maintain an ever-normal granary over a period of years farmers would have to have the power to control their production. The Federal Farm Board failed in its efforts to stabilize supplies and prices because it lacked this power. After supplies had been adequately built up in the granary, it might be desirable to run the farm plant at slightly under top capacity for a year or two—to prevent a repetition of the burdensome surpluses of 1932 and 1933.

And on this matter of farm incomes, we should always keep firmly in mind the truism that we can have a higher standard of living by specializing on those things to which we, our soil, and our climate are best fitted. We must continually work toward breaking down the barriers to world trade, to permitting a free flow of commerce between the countries of the world. Much of the agriculture of the United States has been built up on a world-trade basis. We prosper most when our farmers are producing abundantly for a world market and when we buy freely from other countries.



**FIGURE 3**—When our farmers produce and ship freely to a market and when we buy freely from other countries, we prosper as a Nation.

## **PHYSICAL SECURITY**

Over any long period there can be no enduring social and economic security on farms without physical security or stability of the farms themselves. It is a mutual cause-and-effect relationship. Farms cannot be maintained unless economic returns are sufficient to permit the maintenance of the physical plant as well as to support a satisfactory standard of living. If returns are not sufficiently large to do both, the farm suffers first. Gradually the farm plant undergoes loss of fertility and erosion is accelerated. Presently the physical deterioration leads to still smaller returns, forcing a lower standard of living on the operator and, as this vicious process continues, the amount available for the maintenance of the farm dwindles away, and deterioration moves at an increasing rate.

America's farm land has been treated as a mine rather than as a renewable resource. Too frequently, timber has been slashed and burned, land cleared, then farmed exhaustively for a long or short period—depending upon the original fertility of the soil—and finally abandoned. The operator has then moved on to repeat the process or, if he has remained, has eked out a bare existence on land too barren to be operated any longer for commercial purposes. Agriculture as an industry has not set up sufficient reserves to maintain the land in a productive state of fertility and to protect it against wastage from erosion.

In general, farm operators have been aware of what was happening to their land. They have known how to farm better than they have been able to farm. Low incomes and high costs have prohibited the building up and maintaining of sufficient reserves out of incomes to do for the land what is needed for a permanent agriculture.

### **Danger Now Realized**

The economic system has so worked as to prevent the farmer from looking upon his land as a trust to be handed on intact to posterity. Rather it has forced him to rifle the trust in order to maintain a none-too-good standard of living and to let the future take care of itself. But now society at last seems to be realizing the situation and the ultimate danger to itself through the jeopardizing of its food supply. In some way society must make it possible for farmers to maintain the physical farm plant as a safeguard for future generations.

As for agricultural land, the idea that conservation generally means a return to a state of nature is absurd. The American people have expended an immense amount of labor and capital in transforming the original land resource to an agricultural land resource. Land has been cleared and drained, roads built, sod broken, stones removed, fences built—all of which is designed to bring the original land into condition for use.

True conservation begins after all this. The problem is to manage land so that the investment of labor and capital will be maintained intact—so that wastage of land in its agricultural use will be prevented. But even delimited in this way, the goal cannot be an absolute something; instead it must be continually varying and changing with changes in production methods, demands, competing supplies, population movements, and transportation facilities.

But what degree of conservation or physical maintenance should be society's goal? It is apparent that "conservation" is not an absolute but a relative term. It is not subject to precise definition except in relation to changing factors. Some enthusiastic but sentimental persons think of conservation as an end in itself—that the ideal is restoration of our land to the state in which men first found it. For certain uses of land, perhaps, such an ideal is not far wrong. For example, recreational or forestry uses. But even for such purposes, man can often improve on nature by cutting trails, providing facilities for campers, establishing fire protection, and so on.

FIGURE 4.—Good farm forestry is likely to pay today and tomorrow.



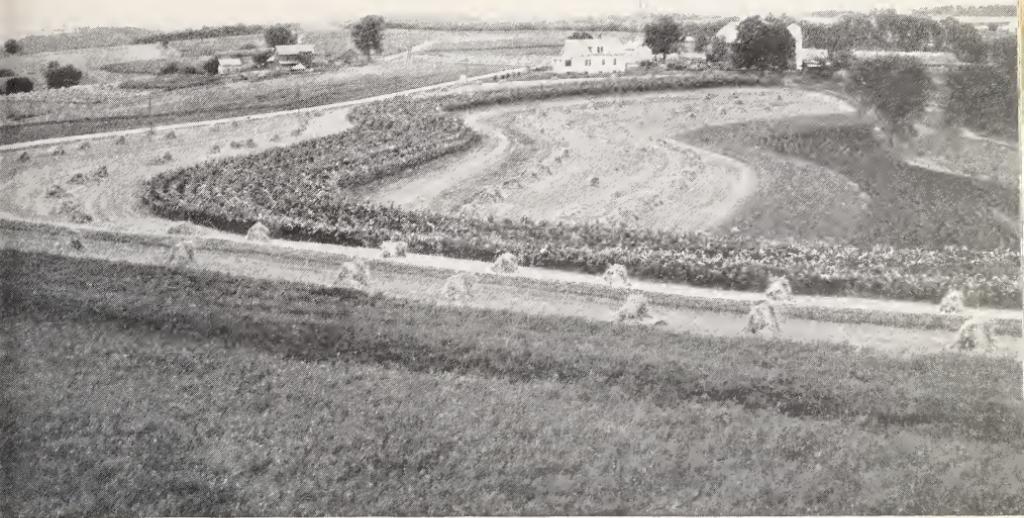


FIGURE 5.—We now know how to cultivate in ways that will conserve soil without exploiting it ruthlessly.

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The prevention of wastage cannot be complete when the land is used for agricultural purposes. Under the best of agricultural practices there will be some loss from erosion, and some loss of original fertility that will not justify replacement. There must be a constant weighing of present demands against future demands. Present population must be fed now. There is a point beyond which it is not socially desirable to stint for the sake of an unforeseeable future. Perhaps all that can be expected is that there will not be wanton exploitation of present resources. If present known efficient methods of production and feasible protective soil conservation and management practices are followed, perhaps that is as much as posterity can ask.

If the proposition is accepted that conservation programs are not ends in themselves but means by which production for current and future needs is to be maintained, the objective can be achieved in ways other than conserving soil alone. The level of production can be maintained either by strict conservation or by a continuous improvement in production efficiency. If soil resources declined rapidly, production could be maintained only by improvement in plant and animal efficiency and more efficient methods of production. Probably soil resources, as to available fertility per acre of usable land and actual acres for agricultural purposes, will decline to some degree over a long period under any practical method of conservation. But declining production will be offset, in part or entirely, by new and improved techniques of production. Thus improved technology is a substitute in part for what we think of as soil conservation.

## **SECURITY AGAINST CROP LOSSES**

Effective soil conservation can do much to prevent or at least soften the blows suffered by farmers from unpredictable crop failures. We have been forcefully reminded in recent years of the impracticality of plowing and cultivating land that should have remained in grass—of baring hillsides to the spring rains—of removing the natural soil cover which had formerly held water in storage. But security against crop losses is not entirely a matter of soil conservation, important as that is. Even if every acre of farm land in the country were used according to best soil-conservation practices, some farmers in some areas would undergo the hardship of crop losses each year.

Most of us think of crop failure in terms of drought, and shortage of water is the biggest country-wide hazard to crop production. But there are many other hazards, and in certain areas some of these are more important than drought. Disease (black stem rust, one of the worst enemies of wheat, was reported last summer in the spring wheat area), insects (remember the chinch bug and grasshopper plagues in the Corn Belt in the last few years), frost, tornado, fire, and too much water as well as too little, are all hazards which each year cause losses to farmers in some parts of the country.

### **Hazardous Business Not Protected Against Risks**

Farm security is not possible or even conceivable until some method of either preventing or easing the effect of crop failures is devised. Insurance has been a cornerstone of commercial business for many years. No businessman would think of starting an enterprise without protecting himself against unavoidable risks at every turn. Yet farming, a most hazardous business, is woefully short of protection against such risks. Men say, "Oh, farming is a gamble," and dismiss the subject with that. So was shipping until shipowners cooperated to share the risks of the high seas.

Scientific agriculture, it is true, has made and is making rapid progress toward conquering the causes of crop failures. Soil conservation is one of the biggest weapons in this battle. Disease and pest control are others. But as yet we are a long way from anything like security against crop losses.

Crop insurance has, unfortunately, a disappointing history. Special kinds of crop insurance, such as hail coverage, have been successful and are in wide use today. But experiments in all-risk insurance have invariably failed in this country.

There have been a number of trials by private companies since 1890, and they have borne fruit in that they have pointed out some definite reasons for failure in insuring crops. Most of the experiments, for one thing, were operative only in small areas and the companies were thus subject to the hazard of local crop failure without the protection of spreading the risk. For another thing, the insurance covered income rather than physical loss alone. The companies were insuring prices as well as production. When prices crashed, so did the experiments. A third factor in the failures of crop insurance in the past was the lack of an adequate statistical basis for computing premiums and determining a safe amount to insure.

All-risk crop insurance is too big a job for private insurance companies and is, therefore, one of those things like bank-deposit insurance which, if undertaken, must be done by the Government. But apart from that, the Government has a direct interest in establishing crop insurance. The Government has put up hundreds of millions of dollars in the last 15 years to provide relief for farmers who have had their resources wiped out by crop failure. The public, through the Government, could well afford to bear the administrative expense of an insurance program which would help farmers to stand on their own feet as an alternative to providing direct relief in time of crop disasters.

### **Stabilizing Influence of Insurance is General**

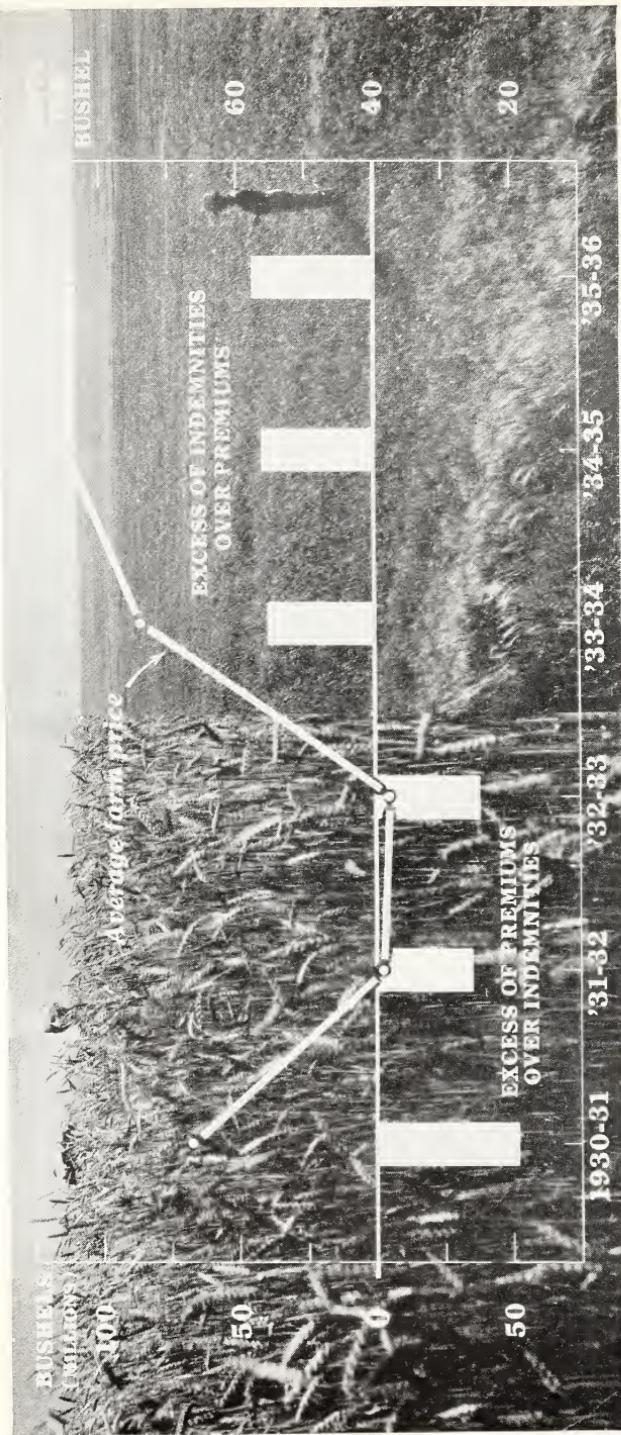
Crop insurance is not a guarantee of farm security in itself. It is an attempt to remove from farming some of the elements of risk that have been characteristic.

Its effects would not be limited to farmers alone; it would have a stabilizing influence on general economic activity—particularly of businesses directly connected with farming. It would do much to stabilize farm income even though violent ups and downs in production still occurred in certain areas. In addition, it would help to smooth out variations in prices of farm products. Insurance would provide a steadier flow of farm production year in and year out by building up reserves in good crop years to be paid back to farmers in poor crop years. That is, insurance in kind would have such an influence, and in view of private companies' experience with insuring income, insurance in kind seems the most logical type for the Government to try.

The Government is in a better position to carry on a program of crop insurance at present than any agency has been in the past.

## DIFFERENCE BETWEEN PREMIUMS AND INDEMNITIES IN EACH YEAR, 1930-35\*

7 GREAT PLAINS STATES, BASED ON TOTAL WHEAT ACREAGE<sup>△</sup>



\* FIGURES BASED ON INSURANCE COVERAGE OF 75 PERCENT OF THE AVERAGE YIELD ON THE INSURED FARM  
△ MONTANA, NORTH DAKOTA, SOUTH DAKOTA, NEBRASKA, KANSAS, OKLAHOMA, AND TEXAS

BAE 22924

FIGURE 6.—Crop insurance will help to even off the extremes of good and poor crops.

The Agricultural Adjustment Administration collected a vast volume of statistical data relating to crop production during the last 3 years. The data are particularly complete in the case of wheat, producers of which are one of the groups most in need of insurance. Producers of wheat have shown more interest in insurance than any other group. As one of the first steps in the drive for farm security, an insurance program should be offered wheat farmers as soon as possible. If successful in the case of wheat, the program could be broadened to include other crops.

## **SECURITY OF LAND TENURE**

Of the many elements that enter into any consideration of farm security, land tenure is easily one of the most important. It strikes at one of the most fundamental of relationships—that of the man to the land.

But although important, land tenure alone, whatever the system may be, cannot and will not produce and assure farm security. There is a widespread and mistaken belief that some system of land tenure is the whole answer to the search for security. Beliefs of that kind fail to reckon with such foundation elements as unstable prices and incomes, waves of land speculation, shifts in demand, taxes, rates of interest, and the balance of alternative opportunities between agricultural and industrial pursuits.

A system of inflexible land tenure cannot be the full and final answer in a world characterized by change and flexibility. But this is not to assume that improvement in our present tenure system is unneeded or impossible. The contrary is true. And the need for action has won recognition in terms of national policy. It is in need of wider recognition in terms of State and local policy.

### **Tenure Trends Are Alarming**

There is little disagreement on the point that long-time and recent trends in the direction of fewer farm owner-operators, more absentee ownership, more tenants, and a decline in the equity in farm lands held by land occupiers are alarming in many instances. There is general agreement that this trend leads in a thoroughly undesirable direction for American agriculture.

During the last 55 years, the entire period for which we have statistics on land tenure, the proportion of tenant farmers has increased steadily in this country. In 1880 only one out of every four farmers was a tenant, but in 1935, two out of every five were tenants. Even



FIGURE 7.—Even a well-designed and well-built farmhouse deteriorates under absentee ownership.

these figures do not present the true picture of farm ownership. Because of debt, the actual equity of operating owners is far less than these figures indicate. In some States, the equity of operating farmers is little more than one-fifth. The other four-fifths is in the hands of landlords and mortgage holders.

The depression, with its thousands of farm-mortgage foreclosures, which reduced many farm owners to the status of short-term tenants or wage earners, focused public attention on the fact that the United States is no longer a country of predominantly owner-operator farmers. Many people have exaggerated the evils of tenancy, simply because its worst evils happened to show up at a time when agriculture generally was in serious straits. It is natural that some people should even place most of the blame for the agricultural depression since the World War upon the land-tenure system. But many other elements figured in the depression, and there is strong support for the conclusion that the best land-tenure system possible would have been unable to endure the stresses and strains brought about by wartime inflation and succeeding depression.

Tenancy in itself is not to be deplored as much as the things which have gone with tenancy in the past. Our real goal is security of farm tenure, whether by tenants or owners. Insecurity of tenure makes for depletion of soil through overcropping, excessive deprecia-

tion of buildings and other equipment, and "erosion" of the farm family itself.

No matter what we do as a Nation, we might as well make up our minds that we are going to have a considerable amount of tenancy in this country for many years to come. During the last 55 years, through fair economic weather and foul, the trend from ownership to tenancy has been remarkably steady. The increase in tenancy has been no sudden development brought about by war, depression, or other temporary economic phase.

Several approaches to the land-tenure problem have been presented in recent years—notably by the President's Committee on Farm Tenancy. Of the many proposals, these seem to have the most promise as workable tools for bettering land-tenure conditions:

(1) The working out of greatly improved relationships between landlords, particularly through leases which recognize a third party, the public at large. These should compensate the tenant for unexhausted improvements, should set up minimum requirements with respect to soil management, and should reward rather than penalize good stewardship of the land.

(2) Public assistance to farm owner-operators, present and prospective, through better credit arrangements and fair interest rates.

(3) Encouragement of plans for variable payments, such as crop payments, which will tend to diffuse the risks of crop production and shifting price levels between buyer and seller.

(4) A continuous program of education to discourage land speculation, excessive land valuation, and overcapitalization of land.

## FARM LABORERS

An adequate supply of competent farm labor under conditions mutually satisfactory to employers and employees is a primary essential of farm security. This situation does not exist everywhere. Instead, farmers frequently complain of the inability to obtain satisfactory help and farm laborers complain of low pay and bad working and living conditions.

In the fall of 1937 there was a shortage of farm labor in many important agricultural regions. Wage rates advanced to the highest figures in 7 years; nevertheless, there were many farm-labor disputes, threatened strikes, some actual strikes. During the years 1933-36 there were more than 30 farm-labor strikes.

Students of this situation believe that questions of wages and perquisites are only surface considerations in continually recurring farm-

labor difficulties; that the real causes are to be found in the far-reaching changes in pattern and techniques of agriculture during the last 25 years.

Farm mechanization has lessened greatly the demand for farm labor in the planting and harvesting of crops. A different type of laboring skill is required, in contrast to the days when much work was done by hand. And yet this problem of the replacement of men by machines on the farm has never been adequately studied in its economic and social effects.

Farm mechanization is increasing. Practically all the processes of plowing, planting, fertilizing, and cultivating have been mechanized, and the harvesting of many crops as well. As the combine-harvester has reduced farm-labor requirements in the grainfields, the mechanical picker may some day do the same in the cottonfields.

In the absence of basic studies, the economic and social consequences of farm mechanization are not clear. Mechanization is said to have reduced the cost of farm production, but little is known definitively on this point. On the social side, it is alleged that the instability of farm labor, due to changed conditions, has been an important factor contributing to present-day unemployment and rehabilitation problems.

FIGURE 8.—Will there be a job tomorrow? A family of seven migratory workers camp for the night.

EXT-S-1





FIGURE 9.—Occasionally a tenant house is found that has real possibilities.

EXT-S-9139-

Some students question the economy of farm mechanization, for although the annual farm pay roll has been reduced, several times the amount of the reduction is spent annually for farm machinery and its upkeep. State research surveys have revealed many instances of excessive farm production costs due to overmechanization.

Figures are cited of low pay for farm hands, making impossible a standard of living in the American meaning of that term; surveys reveal laborers poorly housed. Examples are shown of the exploitation of farm labor by those interested only in making quick profits when farm-products prices are relatively high. The hired farm hand 25 years ago was getting (as a national average) about \$1.10 a day, with board; \$1.43, without. In 1937 he was getting \$1.39, with board; \$1.83, without. Workers by the month, in both periods, got proportionately less per day. The increase over a quarter century has been much less than that received by nonfarm workers in industries requiring comparable skill.

The peak of farm-labor employment is in August, when about 2,500,000 laborers are engaged, as contrasted with about 1,500,000 during the winter months. Possibly the difference, 1,000,000, is the army of migratory workers who follow the crops seasonally through the various climatic zones of production.

Many permanent employees have relatively good conditions of pay and living; during the depression, many were kept on even though employers were unable to earn wages. It is the army of itinerants, largely, which presents problems that must be solved in the search for farm security.

Farm laborers—both permanent and casual hands—who aspire to climb from the lowest rung of the agricultural ladder need encouragement and help. But as a basis for extending aid, the problems of all require careful study and analysis in national economic and social interest.

These problems include questions of wage and living conditions and the contractual relations between employers and employees. They include questions of old-age security since the farm laborer has been specifically excluded from the provisions of the Social Security Act. There has been a disposition, also, in many areas to exclude him from compensation acts.

The right answers to these and many other questions concerning farm labor will help resolve much of the difficulty now experienced by farmers through inability to secure a dependable supply of efficient farm labor. They will help resolve an important phase of present-day social unrest. But they cannot be determined without careful study and analysis of the whole farm-labor situation, its scope and context, and its economic and social significance.

### **STABILITY OF LAND VALUES**

The wide fluctuation in farm-land values within the last 25 years has created great hardship and suffering among farm families. Thousands of farm families are still paying for the speculative spree during and just after the World War. We have learned that one of the prime requisites of farm security is stability of farm-land values.

But stability of land values is extremely difficult to achieve, for land speculation cannot be wholly controlled by legal force. Farmers themselves have often in the past preferred to overcapitalize the current and anticipated earnings of their farms rather than to raise their standards of living. It is difficult to insist that farmers raise their standards of living rather than bid up the value of land, if they prefer to do the latter.

At present there is no evidence of an impending land boom in this country. In the spring of 1937 land values were only about 85 percent as high as they were before the World War and only 16 percent higher than at the bottom of the depression in 1933. But now is the time to talk about a land boom and the dangers from speculation. Once under way, a land boom, like a snowslide, is hard to stop.

UNITED STATES FARM REAL ESTATE VALUE PER ACRE

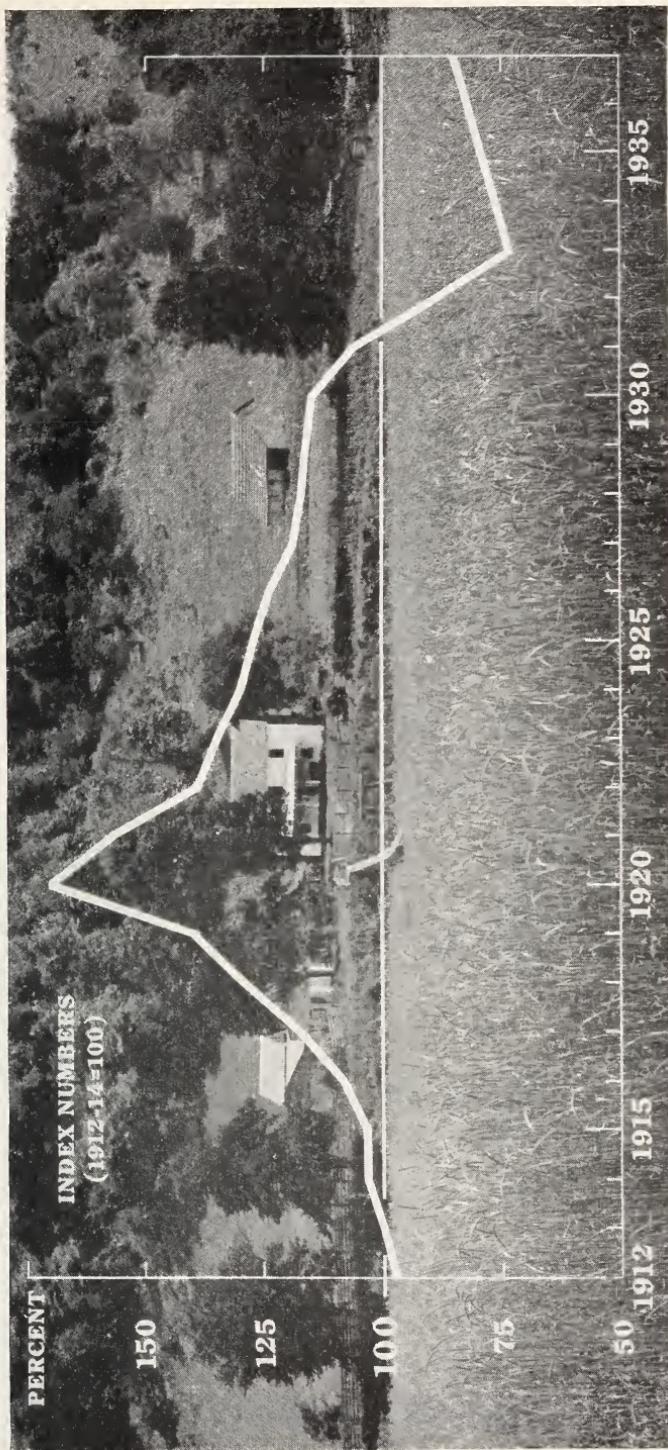


FIGURE 10.—We must practice methods that will prevent fluctuations like these in farm-land prices.

BAE 33912

Obviously, some upturn from depression levels is just as desirable as the avoiding of a boom. But it is important that this upturn be orderly and that a reasonable relationship between earnings and values be maintained.

Considering farming as a whole, the rate of return on capital invested has generally been lower than the rate of interest on farm mortgages, at least if the operator's labor is evaluated at approximately the rate paid to hired labor. Farmers, as a group, have apparently for a long time been willing to capitalize into land values more of their current and anticipated incomes than seems warranted, or at least to capitalize on the basis of returns far below the mortgage rate of interest. This may be a result of a prevailing faith that somehow, sometime, values will again repeat the upward trend of 1900-1920. It may represent a willingness to accept a lower rate of return on investment in farming in return for the satisfaction in rural life and other intangibles accruing to farmers.

### **Education May Bring Changes**

Over a long period, education may alter this situation and lead farmers to place more importance on standards of living. If not, then lowered interest rates on farm mortgages (which apparently reduce carrying charges) may eventually be reflected in higher capitalization of farm land, which in turn leads to higher loans and little if any reduction in carrying charge per acre of farm land. For the immediate present, there is no doubt but that farmers are benefiting from the general reductions in the mortgage rate of interest.

Among proposals for curbing land speculation by governmental action are two that use the taxation approach. A tax on income from rents would tend to discourage absentee ownership of land and would encourage ownership by owner operators. On the other hand, such a tax might shift investment from ownership of farm land to loans on mortgages. Such a shift might create more owner operators. But owner operators with heavy mortgage debts are usually in a worse financial position than tenants. The tenant may secure an adjustment in his rental payments depending on price conditions, whereas the debtor usually has contracted a fixed sum of money to be paid annually. Indebted owners have probably suffered more during the last depression than have tenants, at least in the Middle West. Such a tax would also operate unfavorably against retired farmers and farmers who own more land than they operate, and would be fairly easy to avoid through the operation of farms by professional farm managers and hired labor. It would do

little to diminish the fundamental difficulties that cause land speculation.

A second application of taxation would be a levy upon the increase in value of property between the time the title was acquired and time of sale. Clearly, such a tax, by striking directly at the net gains of speculation, would tend to discourage persons from buying land with a view to resale at a profit. A modification of such a tax would be to make the tax lighter as the period between purchase and sale increases; for example, a 90-percent tax on increment in value for sales made within 1 year of purchase, 60 percent within 2 years, and so on, to a minimum levy after, say, 10 years. The difficulty of so graduating such a tax that speculative activity would be effectively discouraged, without at the same time interfering with normal buying and selling, is obvious.

### **Appraisals Limited to Normal Values**

The influence of lending agencies that provide farm-mortgage credit should also be considered as a means of reducing speculation in farm land. The land boom that culminated in 1920 was undoubtedly stimulated by the willingness of commercial banks and other lending agencies to finance land transactions. Under the policy of the Farm Credit Administration, appraisals are limited to normal value. Adherence to such a policy, especially if cooperation could be obtained from other lending agencies, would go far toward holding in check a run-away land boom.

A number of States have provisions in their insurance codes limiting the number of years companies may own real estate acquired through foreclosure. During recent years of many foreclosures, insurance commissioners suspended some of these restrictions on the theory that wholesale selling of land by insurance companies would further demoralize a fast-falling market. Such restrictions might well again be declared in force on the basis of a rising market, thus limiting the opportunities of profiting on foreclosed land.

Although all these suggestions for preventing land values from outstripping farm earnings may have merit, it is well to remember that the two most important ways of preventing great fluctuations are: (1) The maintenance of relatively stable farm prices and farm incomes, and (2) the changing of farmers' attitudes about land values. Nothing can keep farm-land values from fluctuating violently if farm incomes and the prices of farm products fluctuate violently. And nothing will prevent speculative orgies such as that of 1919-20 unless farmers are willing to put their increased incomes into higher standards of living rather than into higher land values.

